



Brighton Council

POLICY NAME: Risk Management Strategy

POLICY NO: AP04A

PURPOSE OF STRATEGY

Brighton Council is actively committed to the prevention and control of risks throughout the municipality to achieve efficiency, improve relationships, reputation and performance in order to maintain and enhance the quality of living for its residents, employees and visitors.

The primary purpose of this strategy is to promote an integrated, holistic approach to enterprise risk management and to ensure that all risks that could affect the achievement of our objectives are identified, assessed and treated to an acceptable level. The embedding of the risk management framework in to our strategic and operational decision making process helps us to make informed decisions for the benefit of Council and our stakeholders.

Management of risks within Council will be undertaken in accordance with the Australian/New Zealand Standard *AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines* (*“the Standard”*). A complementary Risk Management Policy (AP04) supports this strategy.

RISK MANAGEMENT PRINCIPLES

The Standard sets out eleven principles which need to be applied for risk management to be effective.

1. Create and protects value

Risk Management contributes to the achievement of objective and improvement of performance eg human health and safety, security, legal and regulatory compliance, public acceptance, environmental protection, product quality, project management, efficiency in operations, governance and reputation.

2. Integral part of all organizational processes

Risk Management is not a stand-alone activity that is separate from the main activities and processes of the organisation. Risk Management is part of the responsibilities of management and an integral part of all organisational

processes, including strategic planning and all project and change management processes.

3. Is part of decision making

Risk Management helps decision makers make informed choices, prioritise actions and distinguish among alternative courses of action.

4. Explicitly addresses uncertainty

Risk Management explicitly takes account of uncertainty, the nature of that uncertainty, and how it can be addressed.

5. Systematic, structure and timely

A systematic, timely and structured approach to risk management contributes to efficiency and to consistent, comparable and reliable results.

6. Based on best available information

The input to the process of managing risk are based on information sources such as historical data, experience, stakeholder feedback, observation, forecast and expert judgement. However, decision makers should inform themselves of, and should take into account, any limitations of the data or modelling used or the possibility of divergence among experts.

7. Tailored

Risk Management is aligned with the organisation's external and internal context and risk profile.

8. Takes human and cultural factors into account

Risk Management recognise the capabilities, perceptions and intentions of external and internal people that can facilitate or hinder achievement of the organisation's objectives.

9. Is Transparent and inclusive

Appropriate and timely involvement of stakeholders and, in particular, decision makers at all levels of the organisation, ensures that risk management remains relevant and up-to-date. Involvement also allows stakeholders to be properly represented and to have their views taken into account in determining risk criteria.

10. Dynamic, iterative and responsive to change

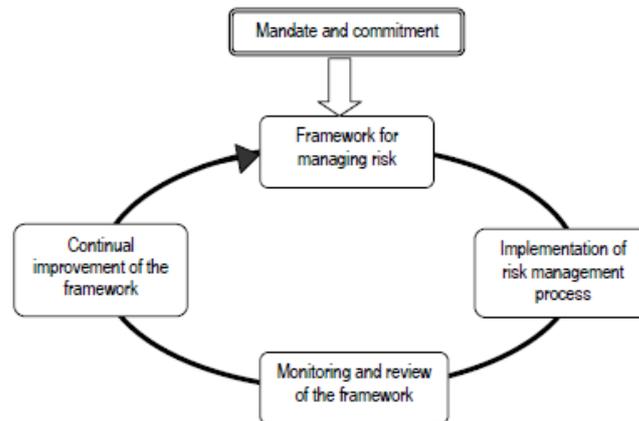
Risk Management continually senses and responds to change. As external and internal events occur, context and knowledge change, monitoring and review of risks take place, new risk emerge, some change and others disappear.

11. Facilitates continual improvement of the organisation

Organisations should develop and implement strategies to improve their risk management maturity alongside all other aspects of their organisation.

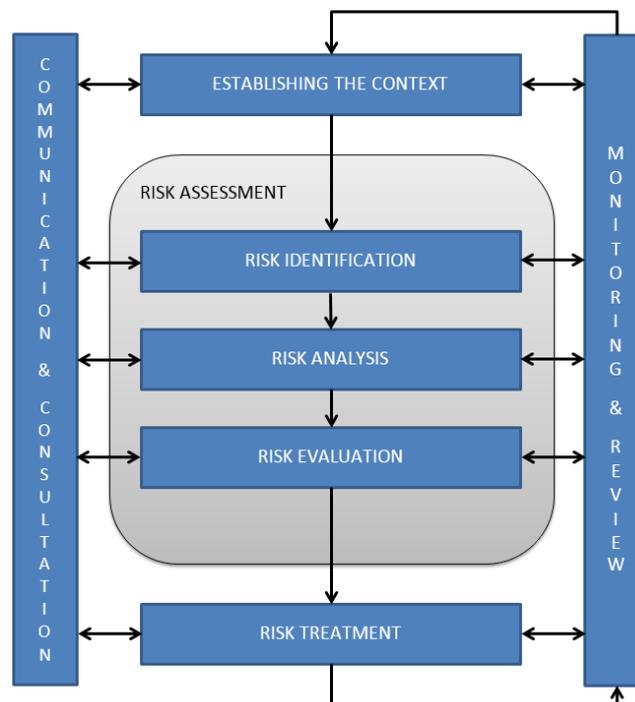
FRAMEWORK FOR MANAGING RISK

The framework will assist in managing risks effectively through the application of the risk management process at varying levels. The framework ensures that information about risk derived from the risk management process is adequately reported and used as a basis for decision making and accountability.



RISK MANAGEMENT PROCESS:

The Risk Management process consists of seven defined steps which, when taken in sequence, provide a systemic approach to identify, analyse, evaluate and treat risks that may impact on Council objectives.



ESTABLISHING THE CONTEXT:

Establishing context is about setting the parameters or boundaries around the Council's risk appetite and risk management activities. This involves establishing the strategic, organisational and risk management context in which the rest of the process will take place. It requires consideration of the external factors such as social, cultural, political and economy, and the alignment with internal factors such as strategy, resources and capabilities. Criteria against which risk will be evaluated should be established and the structure of the analysis defined.

RISK ASSESSMENT

IDENTIFY RISK

By a structured systematic process, identify what, why and how adverse things can arise as the basis for future analysis. Identify sources of risk, areas of impacts, events (including changes in circumstances) and their causes and potential consequences. The aim of this step is to generate a comprehensive list of risks based on those events that might create, enhance, prevent, degrade, accelerate or delay the achievement of the objectives.

ANALYSE RISK

Risk analysis involves developing an understanding of the risk. Risk analysis provides an input to risk evaluation and to decisions on whether risks need to be treated and on the most appropriate risk treatment strategies and method. Risk analysis involves consideration of the causes and the sources of risk, their positive and negative consequences and the likelihood that those consequences can occur. Factors that affect consequences and likelihood should be identified.

Consequences and likelihood may be combined to produce an estimated level of risk.

EVALUATE RISK

Compare estimated levels of risk against the pre-established criteria. This enables risk to be ranked so as it identify management priorities. If the levels of risk are low, then risk may fall in to an acceptable category and treatment may not be required. The purpose of the risk evaluation is to assist in making decisions, based on the outcomes or risk analysis, about which risks need treatment and the priority for treatment implementation.

RISK TREATMENT

Risk treatment involves selecting one or more options for modifying risks and implementing those options. Once implemented, review controls and modify the controls if required. Accept and monitor low priority risks. For other risks, develop and implement a specific management plan.

MONITORING AND REVIEW

Monitor and review the performance of the risk management system and changes that might affect it. Both monitoring and review should be a planned part of the risk management process and involves regular checking. Responsibilities for monitoring and review should be clearly defined. The results of monitoring and review should be recorded and reported as appropriate.

CONSULTATION AND COMMUNICATION

Communicate and consult with workers and external authorities as appropriate at each stage of the risk management process.

RISK MATRIX - CONSEQUENCES SCALE

LEVEL	DESCRIPTOR	DESCRIPTION
1	Insignificant	No Medical treatment, no financial loss, minor effects in all areas
2	Minor	First aid Treatment,
3	Moderate	On-going medical treatment, high financial loss, environment effected, serious beaches, national media attention
4	Major	Fatality, major financial loss, long-term environment effected, international media attention
5	Catastrophic	Multiple fatalities, extreme financial loss and business closure, public outcry with international media attention, prosecution with class actions

RISK MATRIX - LIKELIHOOD SCALE

LEVEL	DESCRIPTOR	DESCRIPTION
A	Almost Certain	Is expected to occur in most circumstances
B	Likely	Will probably occur in most circumstances
C	Possible	Might occur at some time
D	Unlikely	Could occur at some time
E	Rare	May occur only in exceptional circumstances

Likelihood	Impact:				
	Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
A (Almost Certain)	H	H	E	E	E
B Likely	M	H	H	E	E
C Moderate	L	M	H	E	E
D Unlikely	L	L	M	H	E
E Rare	L	L	M	H	H

RISK MATRIX - LEGEND

LEVEL	DESCRIPTION
E	Extreme risk, immediate action required
H	High risk, senior management attention required
M	Moderate risk, management responsibility must be specified
L	Low risk, manage by routine procedure

ROLES & RESPONSIBILITIES

All employees, contractors and volunteers are to be familiar with and competent in the application of Council's Risk Management Policy and Strategy. Managers and supervisors are accountable for adherence to this strategy within their areas of responsibilities.

COUNCIL

Council accepts the following responsibilities:

- Have in place a written policy on risk management and review and amend as required,
- Provide adequate budgetary provision for risk financing.

GENERAL MANAGER

The General Manager accepts the following responsibility;

- Maintain overall responsibility for the effective management of all types of risks across Council's operations.

DEPARTMENT MANAGERS

The Department Managers accepts the following responsibilities;

- Ensure liability risks to the public and Council's assets and operations are adequately protected through appropriate risk financing and loss control programs and measures. This covers the loss areas of industrial plant and property (including motor vehicles), liability, financial and business interruption;
- Provide risk management related information as requested.
- Ensure the provision of a safe and healthy work environment and the implementation of appropriate safe work practices and control measures in accordance with the Workplace Health and Safety Act 2012, its amendments, and related Codes of Practice and Standards.
- Supervise and audit contractors to ensure that the minimum risk management related policies, procedures and information that apply are those of the Council that are current throughout the period of the contract.

RISK MANAGEMENT TEAM

The Risk Management Team accepts the following responsibilities;

- Develop and revise risk management related policies and procedures annually,
- Continuously monitor Council's performance on risk related matters,
- Contribute to the development and maintenance of the hazard and incident recording and investigation and reporting systems for Council,
- Recommend and assist Council and Department Managers in implementing prevention and loss control programs, and maintain records,
- Recommend to Council, and manage on its behalf, the risk financing budget, including renewal of insurances,
- Manage claims, with assistance of the insurance brokers on behalf of Council and the Department Managers;
- Provide reports to Council and Department managers on all risk management performance measures and levels,
- Conduct risk management training need analyses, and provide satisfactory information services.

EMPLOYEES AND CONTRACTORS

Employees and contractors accept the following responsibilities;

- Perform duties in a manner which is within an acceptable level of risk to their own health and safety, other employees, Council's customers or the community in general.
- Make loss control/prevention a priority while undertaking daily tasks in Council's operations.
- Report any illness, injury, hazard, near miss or incidents and losses as soon as they are detected to their respective Manager or Supervisor.
- Provide risk management related information as requested.

TERMS & DEFINITIONS

For the purpose of this document, the following terms and definitions apply.

RISK:

Effect of uncertainty on objectives

- An effect is a deviation from the expected – positive/negative
- Objectives can have different aspects (such as financial, health and safety, and environmental goals) and can apply at different levels (such as strategic, organisation-wide, project, product and process)
- Risk is often characterised by reference to potential events and consequences, or a combination of these
- Risk is often expressed in terms of a combination of the consequences or an event (including changes in circumstances) and the associated likelihood of occurrence.
- Uncertainty is the state, even partial, of deficiency of information related, to understanding or knowledge of an event, its consequence, or likelihood

RISK MANAGEMENT FRAMEWORK:

Co-Ordinated activities to direct and control an organisation with regard to risk.

RISK MANAGEMENT POLICY:

Statement of the overall intentions and directions of an organisational related to risk management.

RISK MANAGEMENT PROCESS:

Systematic application of management policies, procedure and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk.

RISK ASSESSMENT:

Overall process of risk identification, risk analysis and risk evaluation.

RISK IDENTIFICATION:

Process of finding, recognizing and describing risks

- Risk identification involves the identification of risk sources, events, their causes and their potential consequences
- Risk identification can involve historical data, theoretical analysis, informed and expert opinions, and stakeholder needs.

EVENT:

Occurrence of change of a particular set of circumstances

- An event can be one or more occurrences, and can have several causes
- An event can consist of something not happening
- An event can sometimes be referred to as an “incident” or “accident”
- An event without consequences can also be referred to as a “near miss”, “incident”, “near hit” or “close call”.

CONSEQUENCE:

Outcome of an event affecting objectives

- An event can lead to a range of consequences
- A consequence can be certain or uncertain and can have positive or negative effects on objectives
- Consequences can be expressed qualitatively or quantitatively.
- Initial consequences can escalate through knock-on effects.

LIKELIHOOD:

Chance of something happening

- In risk management terminology, the word “likelihood” is used to refer to the chance of something happening, whether defined, measured or determined objectively or subjectively, qualitatively or quantitatively, and described using general terms or mathematically (such as probability or a frequency over a given time period).

RISK ANALYSIS:

Process to comprehend the nature of risk and to determine the level of risk

- Risk analysis provides the basis for risk evaluation and decisions about risk treatment
- Risk analysis includes risk estimation.

RISK CRITERIA:

Terms of reference against which the significance of risk is evaluated.

- Risk criteria are based on organisational objectives, and external and internal context
- Risk criteria can be derived from standards, laws, policies and other requirements.

LEVEL OF RISK:

Magnitude of risk or combination of risk, expressed in terms of the combination of consequences and likelihood

RISK EVALUATION:

Process of comparing the result of risk analysis with risk criteria to determine whether the risk and/or its magnitude is acceptable or tolerable.

- Risk evaluation assists in the decision about risk treatment

RISK TREATMENT:

Process to modify risk

Risk treatment can involve:

- Avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk;
- Taking or increasing risk in order to pursue an opportunity
- Removing the risk source
- Changing the likelihood
- Changing the consequences

- Sharing the risk with another party or parties (including contracts and risk financing); and
- Retaining the risk by informed decision.

Risk treatments that deal with negative consequences are sometimes referred to as “risk mitigation”, “risk elimination”, “risk prevention”, and “risk reduction”

Risk treatments can create new risks or modify existing risks

CONTROL:

Measure that is modifying risk

- Controls include any process, policy, device, practice, or other actions which modify risk.
- Controls may not always exert the intended or assumed modifying effect.

RESIDUAL RISK:

Remaining after risk treatment

- Residual risk can contain unidentified risk
- Residual risk can also be known as “retained risk”

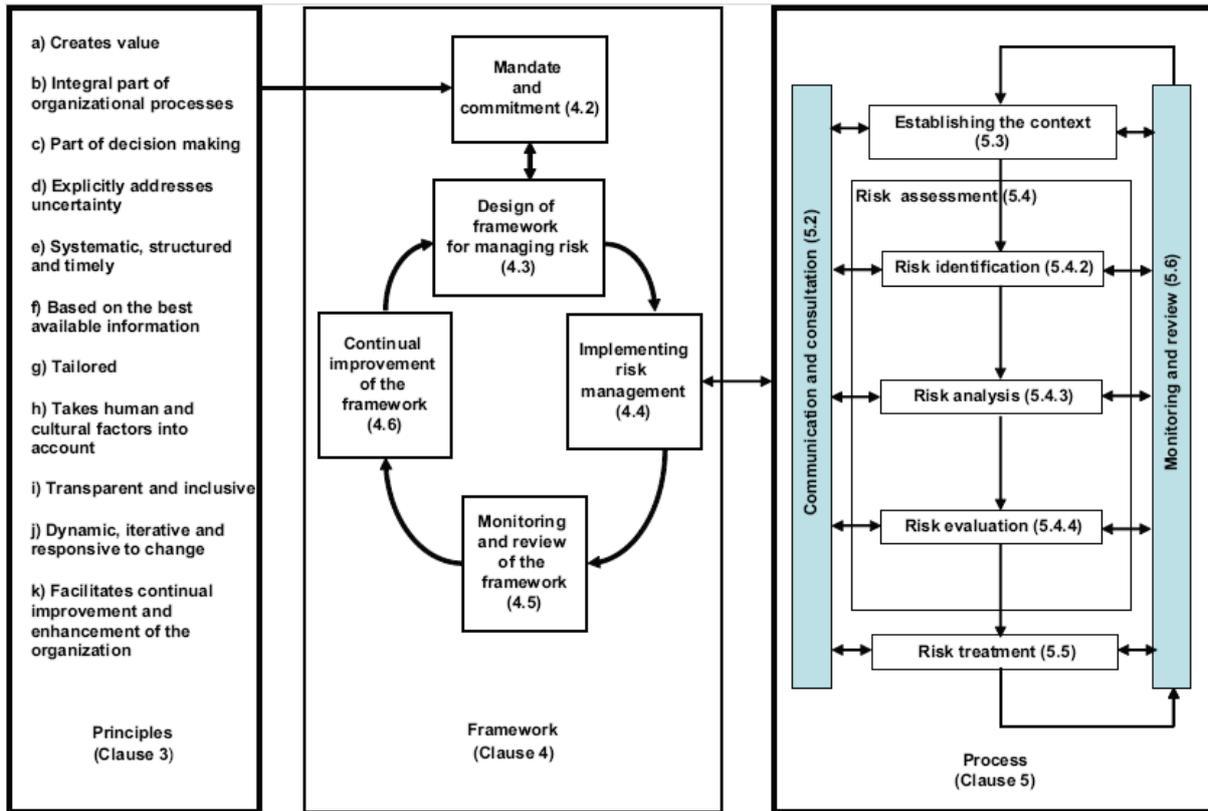
MONITORING:

Continual checking, supervising, critically observing or determining the status in order to identify change from the performance level required or expected

REVIEW:

Activity undertaken to determine the suitability, adequacy and effectiveness of the subject matter to achieve the established objectives.

[ISO Guide 73:2009]



REFERENCES:

Work Health & Safety Act 2012

Work Health & Safety Policy WHS01

AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines

HB 436:2004 – Risk Management Guidelines